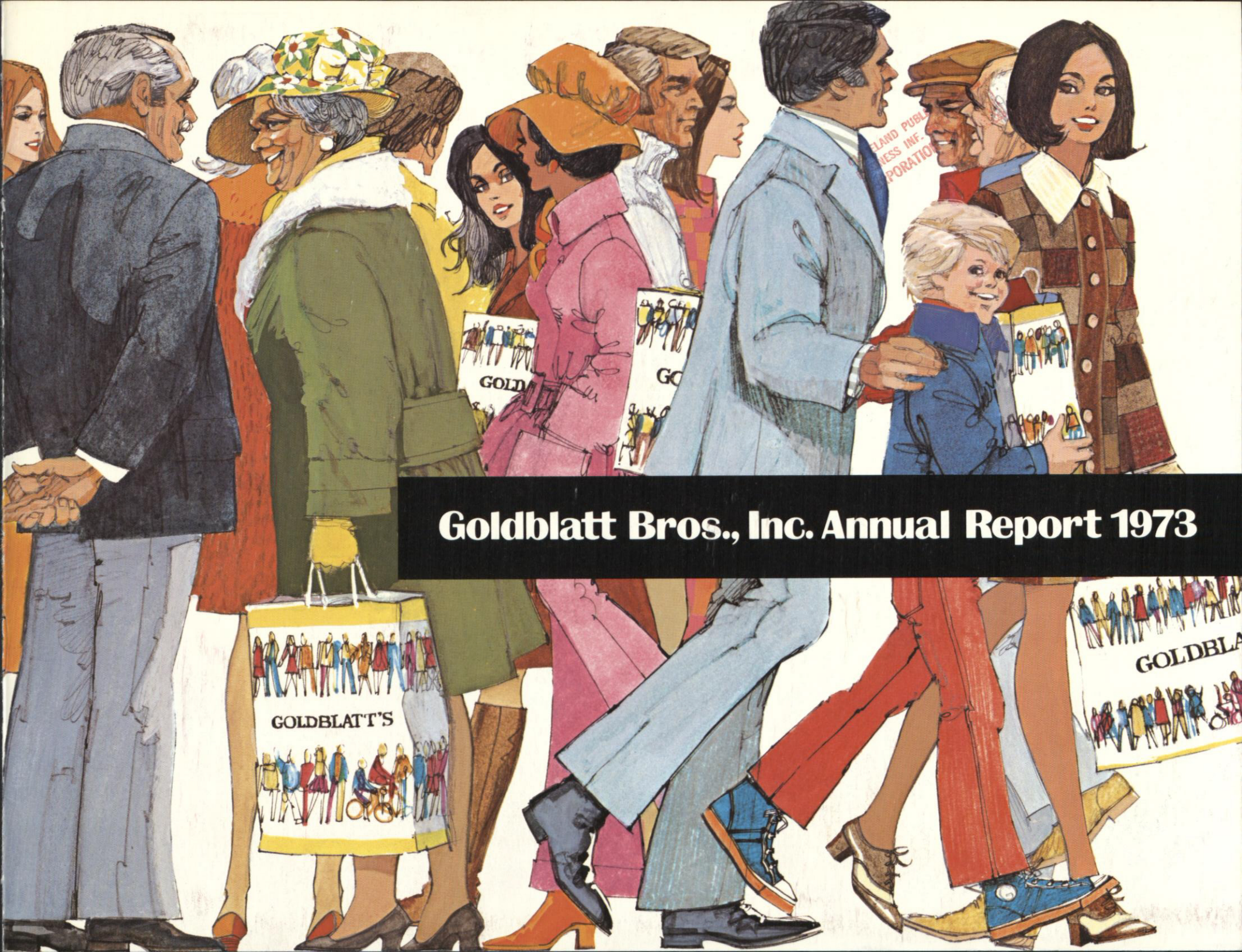




Goldblatt Bros., Inc. Annual Report 1973

Highlights of 1973

- Sales for 1973 reach higher levels than any previous year.
- Earnings lower under impact of higher interest costs on short term loans.
- Merchandise inventories have been reduced from the lower of cost or market by approximately \$5,199,000 in 1973 as compared with \$3,657,000 in 1972 to convert to a LIFO cost basis.
- New showroom-warehouse completed in Rockford, Illinois for opening in the Spring of 1974.
- The Company's two small department stores in Addison and Waukegan, Illinois are redesigned for the exclusive sale of fashion wearing apparel and textiles.
- In May 1973 agreements are signed with two major insurance companies for an additional long-term loan predating the current high interest rates.
- On January 3, 1974 the Company paid its 104th consecutive cash dividend.

Contents

President's Letter	Page 2
Merchandising and Promotion	Page 4
The Goldblatt Furniture Centers	Page 6
Goldblatt's People	Page 7
Distribution and Inventory Control	Page 8
Financial Statements	Page 9
Directors and Officers	Page 16
Store Locations	Inside Back Cover

Net Sales

Net Earnings

Net Earnings
per Common Share

Dividends Paid
per Common Share

Net Working Capital

Long-Term Debt

Shareholders'
Investment

Book Value
per Common Share

Total Assets



Ten Year Financial Highlights

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. SER. I
CORPORATION FILE

	1973*	1972	1971	1970**	1969	1968	1967	1966	1965	1964
...	\$264,674,257	\$246,793,941	\$229,322,448	\$207,276,657	\$215,118,709	\$208,722,856	\$184,925,391	\$170,066,521	\$162,220,909	\$153,002,031
...	1,835,578	2,632,606	2,572,051	626,847	2,636,643	3,275,180	3,176,488	2,951,012	2,404,186	1,520,389
...	.60	.87	.85	.21	.87	1.08	1.05	.99	.82	.51
...	.36	.36	.36	.36	.33	.30	.30	.15	.15	.11
...	33,911,962	29,985,204	30,565,877	27,416,102	29,384,371	33,708,186	27,825,005	28,027,693	30,114,657	27,710,287
...	20,420,020	16,600,806	17,771,675	15,702,042	17,329,649	17,898,784	12,393,786	8,350,000	12,050,000	9,250,000
...	44,268,071	43,527,806	41,990,513	40,513,775	40,708,413	39,280,244	36,915,007	34,601,364	31,971,116	30,010,502
...	14.55	14.31	13.80	13.32	13.38	12.95	12.17	11.46	10.81	10.15
...	133,187,506	127,127,488	118,945,111	116,775,908	115,369,457	98,800,646	93,786,299	74,174,141	70,688,767	64,559,527

*See Note (8) to Consolidated Financial Statements.

**The decline in net earnings for the fiscal year 1970 was substantially the result of an unusual, protracted and multiple strike of both warehouse and teamster employees.

NOTE: Net earnings per common share is based upon the average number of shares outstanding during the year. Book value per common share is based upon the number of shares outstanding at the end of the year. All years have been adjusted to reflect the stock splits approved by shareholders May 5, 1969 and December 21, 1966.

To Our Shareholders:

We are pleased to announce that sales for the year 1973 reached higher levels than in any previous year. Sales for the fiscal year ended January 26, 1974 were \$264,674,257, an increase of 7.3% over the previous year's record sales of \$246,793,941. Earnings, however, were lower because of higher interest cost and inflation in the cost of goods sold, as calculated under the LIFO inventory method.

Net earnings were \$1,835,578 equal to 60 cents per share, down from \$2,632,606 or 87 cents per share in 1972. Increased interest costs reduced net after-tax earnings by 13 cents per share over the previous year. The LIFO (last in-first out) method used by Goldblatt's has the effect of eliminating inflationary effects from earnings and from inventory value, thus profits and balance sheet inventory values are stated on a conservative basis both for financial and tax reporting purposes. Merchandise inventories have been reduced from the lower of cost or market by approximately \$5,199,000 in 1973 as compared with \$3,657,000 in 1972 to convert to a LIFO cost basis. These amounts were calculated from the increase in the appropriate Bureau of Labor Statistics index used in determining the value of the year-end LIFO inventory.

The moderation of consumer spending which was felt in the latter half of 1973 continued through the 4th Quarter. Sales for that quarter increased 1% to \$93,577,256 compared with \$92,726,062 for the same period of the previous year. The adjustment eliminating inflationary effects from earnings and inventory value for the whole year is made largely in the 4th Quarter of both years. As stated previously, the merchandise inventories have been reduced from the lower of cost or market to convert to a LIFO cost basis. Consequently, the resulting net earnings after LIFO for the 4th Quarter 1973 were \$1,616,243 equal to 53 cents per share compared with \$2,570,417 or 84 cents per share for the 4th Quarter 1972.

Improvements in 1974 earnings, we believe, will come from increased store and employee productivity more so than from strong sales gains. Although the Company's efforts to improve productivity will be intense, our merchandising and promotional efforts for increased sales will not diminish. Indications are that the 1st Quarter 1974 will not reflect any substantial improvement in the current sales trend and results may be less than that anticipated. Traditionally, however, the 1st Quarter plays a minor role in a full year earnings of your Company.

The Company will, in the spring of 1974, open a new furniture showroom-warehouse in the Rockford Plaza Shopping Center in Rockford, Illinois. The benefits that are expected to flow from this new store are twofold. It will substantially increase our present share of the furniture and furnishings market in the Rockford area and will provide us with additional space for the expansion and introduction of new fashion departments in our adjacent department store.



During the year the Company modified its two small department stores in Addison and Waukegan, Illinois. These modifications were made to permit a change from the present variety of merchandise carried in these stores to that of exclusively textiles and wearing apparel for the

whole family, with special emphasis on sportswear. These changes should improve future contributions to earnings. Besides these merchandising changes, we have also introduced into our Waukegan store, point-of-sale electronic cash registers for study and evaluation to measure the effect on store profitability.

Our long established reputation as a value-giving full line department store chain should prove beneficial in these inflationary times. Our merchandise mix of promotionally priced goods and nationally branded goods gives Goldblatt's a unique competitive advantage. We believe we have the management and the supporting personnel to permit the Company to obtain a greater share of the market in our respective trading areas. Management feels that the Company has the potential for important earnings improvements during the next couple of years barring unforeseen changes in the economy.

We are hopeful that the energy problems and political uncertainties will be cleared up in the last half of 1974 and, consequently, improvements in both sales and earnings should occur. Actually, the ramifications of the long-term energy situation opens up new opportunities for shopping facilities such as ours which are, for the most part, in areas of high household concentration. We also benefit by being able to attract store personnel living relatively short distances away thereby reducing their auto travel.

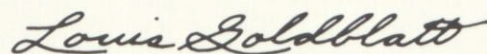
On May 17, 1973, the Company signed agreements with Metropolitan Life Insurance Company and Mutual Life Insurance Company of New York for an additional long-term loan in the aggregate amount of \$5,000,000. This long-term financing predated the current high interest rates and provides necessary capital to meet long-term needs.

The Company's financial position is strong. Bank credit lines are adequate to meet all short-term anticipated needs.

On January 3, 1974, the Company paid its 104th consecutive cash dividend.

The Directors join with me once more in expressing their appreciation to our shareholders and to our loyal and dedicated employees.

Respectfully submitted,



Louis Goldblatt
President, Chief Executive Officer

April 18, 1974

Merchandising and Promotion...Our Mainstreams

A new direction in fashions

Goldblatt's Department stores serve a broad and diverse market with both nationally branded and private label merchandise, for the entire family. Women's fashions, with their ever changing trends, receive the closest attention at all levels. Our large and successful junior fashion business is enjoying constant profitable growth. During 1973 we initiated a major program intensifying our efforts to serve the larger sized woman, a market frequently overlooked. Overall, our merchandising plan is to increase our share of the growing fashion market to which we are geared.

Visible and dramatic changes were made in attracting new customers, through the creation of separate shops within our stores.

The Company has developed new techniques to better define the customer profile, unique to each store and to help attain greater merchandise acceptance and sales performance. These sharply defined merchandising techniques should enable us to curtail costly clearance and markdowns.

Your Company has recently converted its two small department stores in Addison and Waukegan, Illinois into Family Fashion Centers.

These stores are exclusively devoted to textiles and to wearing apparel for the whole family, with a strong emphasis on sportswear. We expect to increase the profitability of these stores, while better serving their suburban communities.



Promotion

Goldblatt's traditionally low prices give us an added competitive advantage in these inflationary times. We believe that consumers will respond especially well to our value giving promotions.

During 1973, the Company increased its promotional activities by the use of television and radio, for pre-selected fashion items and special events. Excellent results were obtained and we are already embarked on a program of even broader dimension.

Our usual promotional activities were further enhanced by new promotions emphasizing special purchases.

During 1973 we were obliged to adjust our promotional efforts to the changing circumstances created by the energy crisis and the increased cost of fuel. During Sunday restrictions on the sale of gasoline, we developed new advertising techniques which stressed special mid-week values. The trend indicates that shopping habits can be changed from one day to another, without seriously disrupting sales volume especially when people are given the benefit of one stop shopping. We were also alerted to intensify our telephone and mail promotional efforts.

We are happy to say, that as a further effect of our receiving the Brand Names Foundation's, "Retailer of the Year" award for large department stores, we have improved and expanded relationships with leading brand name manufacturers.





Goldblatt's Furniture Centers

The Goldblatt Furniture Centers are the culmination of years of experience in merchandising of furniture and furnishings. They are designed to meet the demands and needs of each individual community and appeal to the taste of that community.

In October, 1973, we opened our enlarged Furniture Warehouse Showroom in Mishawaka, Indiana, providing additional facilities that enable us to offer the money saving convenience of "take-with" shopping.

Spring, 1974, will mark the opening of our new 120,000 square foot Furniture Warehouse Showroom, in the Rockford Plaza Shopping Center in Rockford, Illinois. This store will also provide the convenience of "take-with" shopping. The new store will provide us with an added benefit, in that it makes available much needed space for the expansion of wearing apparel and

for new fashion related departments, in the adjacent Goldblatt's department store.

The concept of Furniture Showrooms in our urban department stores saw further growth last year. The results of the Furniture Showrooms in the State Street store prompted the opening of a second Furniture Showroom in our department store at 26th and Christiana, Chicago. We are confident in bringing this development to our other department stores, as conditions warrant.



Goldblatt's People

Our Management Development Program continues to screen and train young men and women from colleges and universities, and from our own ranks, in all phases of retailing. The current group of 40 trainees, will join the others previously recruited as part of our reservoir of trained people, necessary for the Company's growth and expansion. We are pleased to say that about 90% of the young people trained over the past three years are pursuing a career in retailing with us. This record is consistent with the stability of our Company's 10,000 people, whose turnover is among the lowest in retailing.

Promotion from within, has been a Goldblatt's policy since our founding almost 60 years ago. It is not uncommon for sales clerks or trainees to become buyers or store managers; or for a marking room manager to become general operations manager; or even to become a senior corporate officer.

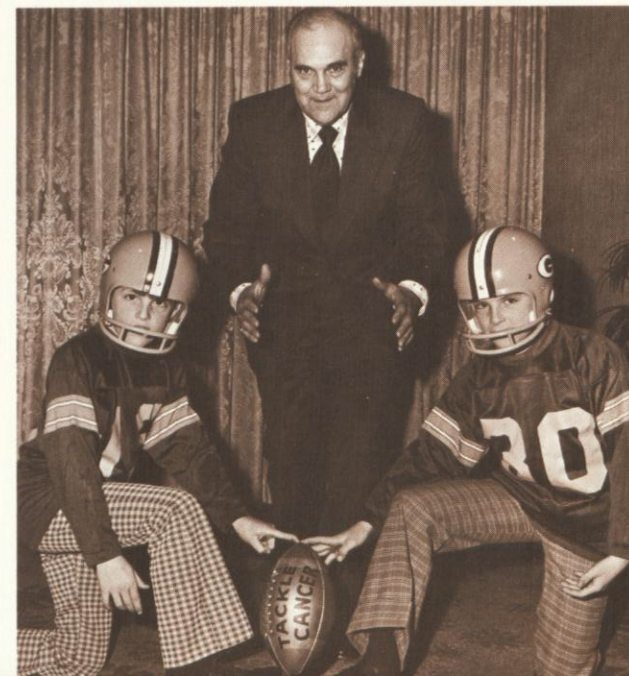
Pay and fringe benefit programs are constantly being revised to keep them competitive. Our employees, through their membership in the Goldblatt Brothers Savings and Profit Sharing Pension Plan, own 14% of the outstanding shares in the Company, making them co-owners and in effect, partners. In addition, the Goldblatt Brothers Employees Foundation, provides supplemental benefits such as interest-free loans and other assistance to those in need. Free visiting nurse service aids our employees when they are ill.

Small wonder that sons and daughters continue to follow their mothers and fathers as the people of Goldblatt's.



Perhaps one of the best expressions of the Goldblatt team spirit is the employees cancer research activity, a voluntary effort in raising funds for cancer research. Over the years our employees have contributed nearly \$1.5 million to leading universities and cancer research hospitals. In 1973 alone, they raised \$156,000.

On or off the job we have good reason to be proud of our people.



Distribution

By the development of improved work load scheduling, begun in 1973, we attained even greater productivity in the handling and flow of goods without a corresponding increase in costs. The full benefits of these new procedures will be felt in 1974 and later years.

The inflationary spiral has led us to initiate other efficiencies as well. New "take-with" programs designed to convince customers of the advantages of taking their purchases with them, have been put into effect. By increasing direct deliveries to the stores and by the consolidation of shipments to and from the warehouses, the overall cost of moving goods has been reduced. Wherever possible, the shipment of low margin bulky goods to the warehouse has been eliminated, in favor of better means of storage and transportation of such goods. For the most part, only selective goods are being channeled through our million-plus square foot warehouses and distribution centers. Further cost savings in freight costs were achieved, by the use of more train and truckload shipments and by the elimination of demurrage and extra charges.

These warehouse and distribution centers, further enable our buyers to make special advantageous purchases, both domestically and from markets abroad.



Inventory Control

We are proud of our systems for the control and protection of merchandise inventory. Our loss ratio is lower than that of most retailers across the country. Inventory records and controls are electronically maintained by individual departments and individual stores. Although physical inventory is taken annually, by the availability of these records, shortages can be detected at any time, by special inventory count. The Company maintains its own trained security staff, which concentrates on both the detection and the prevention of loss. Systems to prevent loss are constantly being refined. In highly vulnerable departments, sensormatic and other detecting devices are used.



Goldblatt Bros., Inc. and Subsidiaries

Consolidated Statements of Income for the fiscal years ended January 26, 1974 and January 27, 1973

	Fiscal Year	
	1973	1972
NET SALES (excluding leased department sales)	\$264,674,257	\$246,793,941
LESS:		
Cost of goods sold and expenses exclusive of items listed below (Note 3) . .	\$184,381,524	\$170,088,473
Salaries, wages and employee benefits	59,360,029	56,408,416
Contribution to Employees' Savings and Profit Sharing Pension Plan	355,870	468,542
Depreciation and amortization	2,363,191	2,243,987
Rental expense (Note 7)	4,550,642	4,390,874
Taxes, other than income taxes	6,732,769	5,925,070
Interest and debt expense	3,576,654	2,756,973
	<u>\$261,320,679</u>	<u>\$242,282,335</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	\$ 3,353,578	\$ 4,511,606
FEDERAL AND STATE INCOME TAXES (Note 5)	1,518,000	1,879,000
NET INCOME	<u>\$ 1,835,578</u>	<u>\$ 2,632,606</u>
NET INCOME PER COMMON SHARE	<u>\$.60</u>	<u>\$.87</u>

Consolidated Statements of Retained Earnings for the fiscal years ended January 26, 1974 and January 27, 1973

	Fiscal Year	
	1973	1972
BALANCE BEGINNING OF YEAR	\$ 35,833,956	\$ 34,296,663
ADD—Net income	1,835,578	2,632,606
LESS—Cash dividends (\$.36 per share)	(1,095,313)	(1,095,313)
BALANCE END OF YEAR (Note 1)	<u>\$ 36,574,221</u>	<u>\$ 35,833,956</u>

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Goldblatt Bros., Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS—JANUARY 26, 1974 AND JANUARY 27, 1973

ASSETS

	1973	1972
CURRENT ASSETS:		
Cash	\$ 3,749,838	\$ 4,933,352
Receivables, less reserves of \$1,902,000 in 1973 and \$2,322,000 in 1972 for doubtful accounts and unearned carrying charges	50,576,061	44,741,250
Merchandise inventories (Note 8)	43,255,006	42,814,828
Prepaid expenses	1,293,417	1,243,695
Total current assets	<u>\$ 98,874,322</u>	<u>\$ 93,733,125</u>
CASH SURRENDER VALUE OF LIFE INSURANCE (face amount \$820,849) (Notes 1 & 2) AND OTHER INVESTMENTS	<u>\$ 821,282</u>	<u>\$ 819,543</u>
LAND, BUILDINGS AND FIXTURES:		
Land	\$ 7,204,621	\$ 7,204,621
Buildings	21,969,606	20,586,412
Furniture, fixtures and leasehold improvements	30,471,731	30,664,814
	<u>\$ 59,645,958</u>	<u>\$ 58,455,847</u>
Less—Accumulated allowances for depreciation and amortization (including excess of tangible assets over purchase price of companies acquired)	26,154,056	25,881,027
Net land, buildings and fixtures	<u>\$ 33,491,902</u>	<u>\$ 32,574,820</u>
	<u>\$133,187,506</u>	<u>\$127,127,488</u>

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' INVESTMENT

	1973	1972
CURRENT LIABILITIES:		
Notes payable to banks (Note 6)	\$ 26,400,000	\$ 23,400,000
Accounts payable, principally trade	17,599,583	20,477,741
Accrued liabilities	12,997,999	11,961,722
Income taxes—		
Current	476,992	1,322,589
Deferred (principally applicable to installment and revolving accounts receivable)	6,307,000	5,415,000
Current maturities of long-term debt	1,180,786	1,170,869
Total current liabilities	<u>\$ 64,962,360</u>	<u>\$ 63,747,921</u>
 DEFERRED INCOME TAXES (arising from accelerated depreciation) AND DEFERRED INVESTMENT TAX CREDIT	 <u>\$ 3,537,055</u>	 <u>\$ 3,250,955</u>
 LONG-TERM DEBT, less current maturities (Note 1)	 <u>\$ 20,420,020</u>	 <u>\$ 16,600,806</u>
 SHAREHOLDERS' INVESTMENT:		
Common shares, par value \$2.00 per share; authorized 5,000,000 shares; issued 3,054,538 shares, less 12,000 shares held in treasury at no cost; outstanding 3,042,538 shares (Note 4)	\$ 6,109,076	\$ 6,109,076
Paid-in capital	1,584,774	1,584,774
Retained earnings (Note 1)	36,574,221	35,833,956
Total shareholders' investment	<u>\$ 44,268,071</u>	<u>\$ 43,527,806</u>
	<u><u>\$133,187,506</u></u>	<u><u>\$127,127,488</u></u>

Goldblatt Bros., Inc. and Subsidiaries

Consolidated Statements of Changes in Financial Position January 26, 1974 and January 27, 1973

	Fiscal Year	
	1973	1972
SOURCE OF FUNDS:		
Funds provided by operations—		
Net income	\$ 1,835,578	\$ 2,632,606
Depreciation and amortization	2,363,191	2,243,987
Deferred income taxes arising from accelerated depreciation	177,500	263,000
Deferred investment credit on property additions, net of amortization ..	108,600	46,612
	<u>\$ 4,484,869</u>	<u>\$ 5,186,205</u>
Additions to long-term debt	5,000,000	—
Miscellaneous, net	(1,739)	4,849
	<u>\$ 9,483,130</u>	<u>\$ 5,191,054</u>
DISPOSITION OF FUNDS:		
Maturities of long-term debt	\$ 1,180,786	\$ 1,170,869
Cash dividends to shareholders	1,095,313	1,095,313
Additions to land, buildings and fixtures	3,280,273	3,505,545
	<u>\$ 5,556,372</u>	<u>\$ 5,771,727</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 3,926,758</u>	<u>\$ (580,673)</u>
INCREASE (DECREASE) IN CURRENT ASSETS:		
Cash	\$ (1,183,514)	\$ 211,859
Receivables, net	5,834,811	3,727,195
Merchandise inventories	440,178	2,751,337
Prepaid expenses	49,722	235,277
	<u>\$ 5,141,197</u>	<u>\$ 6,925,668</u>
(INCREASE) DECREASE IN CURRENT LIABILITIES:		
Notes payable to banks	\$ (3,000,000)	\$ (1,000,000)
Accounts payable	2,878,158	(4,503,115)
Accrued liabilities	(1,036,277)	(1,111,570)
Income taxes	(46,403)	(1,301,304)
Current maturities of long-term debt	(9,917)	409,648
	<u>\$ (1,214,439)</u>	<u>\$ (7,506,341)</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 3,926,758</u>	<u>\$ (580,673)</u>

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Auditors' Report

To the Shareholders and
Board of Directors of
Goldblatt Bros., Inc.:

We have examined the consolidated balance sheets of GOLDBLATT BROS., INC. (an Illinois corporation) AND SUBSIDIARIES as of January 26, 1974, and January 27, 1973, and the related consolidated statements of income, retained earnings and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Goldblatt Bros., Inc. and Subsidiaries as of January 26, 1974, and January 27, 1973, and the results of their operations and changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Chicago, Illinois,
March 29, 1974.

Arthur Andersen & Co.

Summary of Significant Accounting Policies

(A) Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

(B) Merchandise Inventories—Retail store inventories are valued by use of the retail inventory method which involves pricing of individual items at current selling prices and the reduction of the amounts so determined to the lower of cost or market by the application of departmental markup ratios. A portion (70% at January 26, 1974 and 72% at January 27, 1973) of inventories have been reduced from the lower of cost or market on a FIFO (first in, first out) basis to convert to a LIFO (last in, first out) cost basis for financial reporting purposes. All other inventories are stated at the lower of FIFO (first in, first out) cost or market.

(C) Land, Buildings and Fixtures—Property is valued at cost. Expenditures for renewals and betterments are capitalized while costs of maintenance and repairs are charged against income when incurred. Depreciation on buildings and fixtures is provided on the straight-line method at rates considered adequate to amortize the cost of the property over its estimated useful life. Leasehold improvements are amortized over the life of the related lease or estimated useful life of the asset, whichever is shorter. Furniture and fixtures are retired by elimination from the accounts of the applicable cost and accumulated depreciation at the end of the estimated useful life. Upon retirement or disposition of other major units of property the applicable cost and accumulated

depreciation are removed from the accounts and any resulting gains or losses are included in income.

(D) Income Taxes—Income taxes are provided by the Company based on income reported for financial statement purposes. Deferred income taxes arise principally from income on installment and revolving accounts receivable which is deferred for tax purposes and from the use of accelerated depreciation for tax purposes. Investment tax credits applicable to purchases of fixtures and equipment are amortized into income over the estimated useful lives of the related assets.

(E) H. P. Wasson & Co., Inc.—The net tangible assets of H. P. Wasson & Co., Inc., purchased in 1967, exceeded the purchase price by approximately \$3,000,000. The excess is being amortized to income over a ten-year period.

(F) Preopening Expenses—Expenditures of a non-capital nature incurred for the opening of new stores are deferred and amortized over a two-year period following the store opening date. At January 26, 1974, and January 27, 1973, such deferred preopening expenses were immaterial.

(G) Earnings Per Share—Earnings per common share are computed based on the average number of shares outstanding during the year.

Notes to Consolidated Financial Statements

(1) Long-term debt consists of the following:

	1973	1972
3½% sinking fund debentures, due in annual installments of \$200,000 until January 15, 1976, less current maturities	\$ 200,000	\$ 400,000
5% and 6% notes payable to insurance companies, secured by cash surrender value of life insurance	501,951	501,951
6½% to 8¼% mortgage notes, due in monthly installments of \$42,500, including interest, less current maturities	4,670,069	4,812,855
7¼% promissory notes, due in annual installments of \$838,000 through September 1, 1985, and a final payment of \$830,000 due September 1, 1986, less current maturities	10,048,000	10,886,000
8% promissory notes, due in annual installments of \$385,000 commencing May 1, 1976, and a final payment of \$380,000 due May 1, 1988	5,000,000	—
	<u>\$20,420,020</u>	<u>\$16,600,806</u>

Under the most restrictive provisions of the long-term debt agreements, the Company, among other things, may not pay dividends or reacquire its capital stock in excess of \$2,000,000 plus 75% of net income (as defined) subsequent to January 27, 1973; accordingly, at January 26, 1974, \$2,156,754 is available for the payment of dividends. In addition, working capital must always be at least equal to the greater of \$20,000,000 or 150% of funded indebtedness, as defined.

- (2) The Company has agreed with an officer that, upon his demise, it will, upon request, lend to the estate of such officer an amount not to exceed the face value (\$520,849) of the life insurance policies owned by the Company on the life of such officer. This loan, if made, would be evidenced by a ten-year noninterest-bearing note secured by common shares of the Company or other marketable securities.
- (3) For the fiscal years ended January 26, 1974 and January 27, 1973, cost of goods sold, buying and occupancy expenses were \$188,738,982 and \$174,996,445, respectively, and selling, general and administrative expenses were \$69,619,873 and \$65,177,293, respectively.
- (4) In May, 1969, the shareholders of the Company authorized an issue of 500,000 preferred shares, without par value, issuable in series.

(5) The provisions for Federal and state income taxes for fiscal 1973 and 1972 consist of the following:

	Federal	State	Total
1973—			
Currently payable	\$ 217,658	\$ 33,200	\$ 250,858
Deferred, arising from—			
Excess of tax over book depreciation	290,500	19,000	309,500
Deferred gross profit on installment sales	692,000	45,000	737,000
Deferred investment tax credit	220,642	—	220,642
Provision for income taxes	<u>\$1,420,800</u>	<u>\$ 97,200</u>	<u>\$1,518,000</u>
	Federal	State	Total
1972—			
Currently payable	\$1,140,157	\$ 90,000	\$1,230,157
Deferred, arising from—			
Excess of tax over book depreciation	263,000	25,000	288,000
Deferred gross profit on installment sales	194,000	15,000	209,000
Deferred investment tax credit	151,843	—	151,843
Provision for income taxes	<u>\$1,749,000</u>	<u>\$130,000</u>	<u>\$1,879,000</u>

The effective tax rate in fiscal 1973 and 1972 is affected by certain income items, primarily the amortization of the excess of the net tangible assets of H. P. Wasson & Co., Inc. over the purchase price, to which income taxes are not applicable.

- (6) The Company obtains short-term funds under lines of credit extended by its principal banks. At January 26, 1974, the Company had available from these banks short-term lines of credit totaling \$29,500,000 with an additional \$5,000,000 available upon request and approval. Borrowings under these lines of credit are made at the bank's current prime rate. The Company is expected to maintain a satisfactory financial position and to maintain average compensating balances at the banks of approximately ten to fifteen percent of the exercised lines of credit. Compensating balances are determined based on the average monthly collected balances per the banks' records. Such compensating balances are not legally restricted as to withdrawal. At January 26, 1974, the Company had borrowings outstanding under the above described lines of credit of \$26,400,000 with an average interest rate of 9.8%. During fiscal 1973, the Company's maximum short-term borrowings were \$30,400,000. The approximate average short-term borrowings outstanding during the same year was \$26,200,000 at an approximate weighted average interest rate of 7.8% (averages weighted for the amount of loans and number of days loans were outstanding during the year).

- (7) The Company leases certain equipment and operating properties (primarily retail stores and warehouse facilities), a minor portion of which have been subleased. Some of the leases contain contingent rental provisions primarily based upon retail sales. Various renewal options are contained in many leases. Certain of these leases are noncapitalized financing leases as defined by the requirements of the Securities and Exchange Commission. Generally, a noncapitalized financing lease is one which either covers 75% or more of the economic life of the property or has terms which assure the lessor a full recovery of the fair market value of the property at the inception of the lease plus a reasonable return on the use of the leased assets.

Rental expense on all leases for fiscal 1973 and 1972 was as follows:

	1973	1972
Noncapitalized financing leases:		
Minimum rentals, net of minor sublease income	\$3,166,486	\$3,151,194
Contingent rentals	789,044	703,624
	<u>\$3,955,530</u>	<u>\$3,854,818</u>
Other leases, net of minor sublease income . . .	\$ 595,112	\$ 536,056
Rental expense	<u>\$4,550,642</u>	<u>\$4,390,874</u>

Minimum rental commitments at January 26, 1974, under all noncancelable leases with an initial or remaining term of more than one year (substantially all of which are noncapitalized financing leases), excluding unexercised option periods, net of minor sublease income, were as follows for the periods indicated:

Fiscal Year Ending In	Amount
1975	\$ 3,631,000
1976	3,506,000
1977	3,344,000
1978	3,114,000
1979	3,014,000
1980-1984	14,838,000
1985-1989	11,364,000
1990-1994	6,722,000
Thereafter	9,676,000
Total commitments	<u>\$59,209,000</u>

The present value of the future minimum rentals of all noncapitalized financing leases was approximately \$29,290,000 at January 26, 1974, and \$30,570,000 at January 27, 1973, net of minor amounts relating to present subleases. These amounts reflect the discounting of future minimum rentals at the estimated interest rates implicit in the individual leases; such rates ranged from 1.5% to 8.5% with a weighted average rate of 4.4% in both years. If all of the noncapitalized financing leases were capitalized, the lease rights amortized on a straight-line basis, and interest accrued on the basis of the outstanding lease liability, net income for fiscal 1973 and 1972 would not have been materially effected.

- (8) The merchandise inventories have been reduced from the lower of cost or market on a FIFO (first in, first out) basis by approximately \$5,199,000 at January 26, 1974, \$3,657,000 at January 27, 1973, and \$3,247,000 at January 29, 1972, to convert to a LIFO cost basis.

Directors and Officers

Board of Directors

Louis Goldblatt
Maurice Goldblatt
Albert H. Dolin
James C. Downs, Jr.
Lionel Goldblatt
Stanford J. Goldblatt
Leonard H. Solomon
Jerome S. Weiss
Harry H. Wildeman

Corporate Officers

Louis Goldblatt
President and Chief Executive Officer
Maurice Goldblatt
Chairman of the Board
Albert H. Dolin
Executive Vice President-Secretary
Herman G. Buckley
Vice President
Irwin Goldberg
Vice President-Comptroller
Stanford J. Goldblatt
Vice President
Frank F. Kremsner
Vice President
Chester J. Malin
Vice President
Gilbert J. Mintz
Vice President
Irwin S. Selin
Vice President
John Vlad
Vice President
Evelyn P. Egan
Treasurer

Corporate Data

Transfer Agents
The First National Bank of Chicago
Chase Manhattan Bank

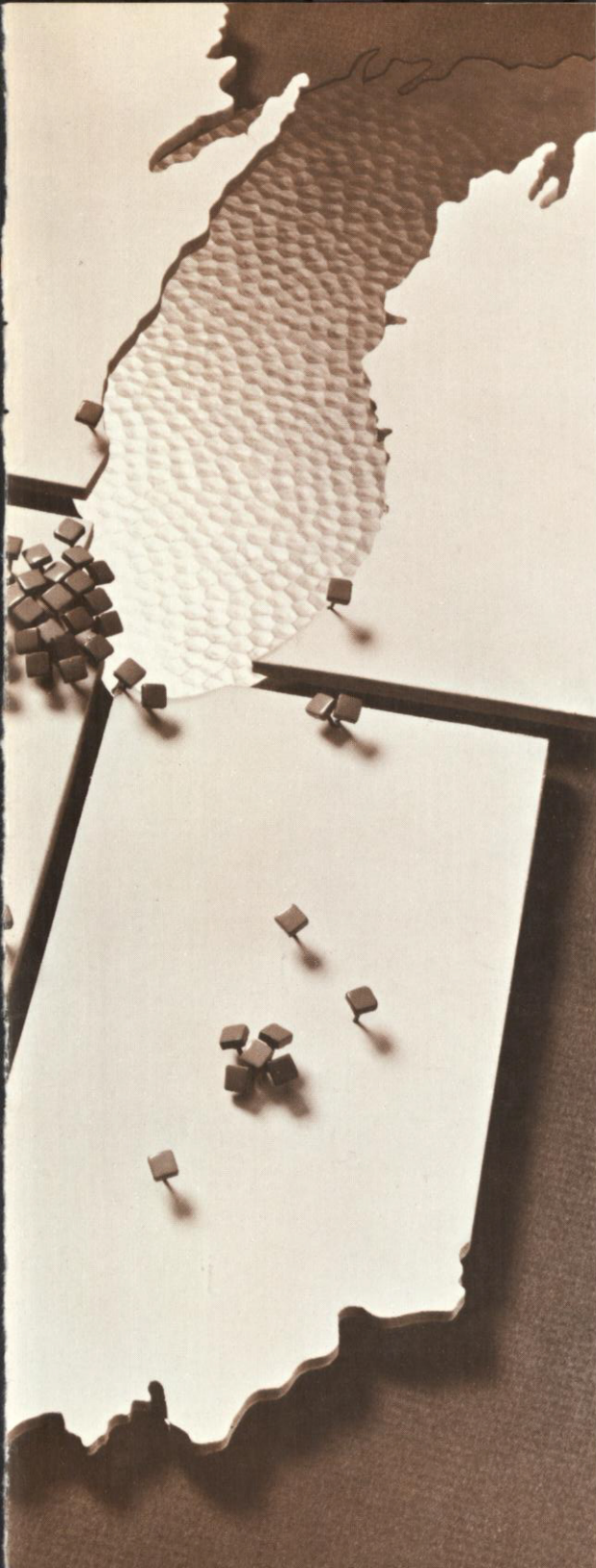
Registrars
American National Bank
& Trust Company of Chicago
Chase Manhattan Bank

Auditors
Arthur Andersen & Co.

Stock Exchange Listings
(Ticker Symbol: GDB)
American Stock Exchange
Midwest Stock Exchange

Administrative Offices
333 South State Street
Chicago, Illinois 60604

Annual Meeting
Monday, May 6, 1974, 2 p.m.
Auditorium, eighth floor
Goldblatt Bros. headquarters
333 S. State Street
Chicago, Illinois 60604



Goldblatt Bros., Inc. 46 Stores Serving Mid-America

Goldblatt's Stores In Chicago

State-Van Buren
Belmont-Central
Broadway-Lawrence
Chicago-Ashland
Lake Meadows (35th & King Dr.)
Lincoln-Belmont
Madison-Pulaski
Milwaukee-Kimball
Scottsdale (79th & Cicero)
26th & Christiana
47th & Ashland
91st & Commercial

FURNITURE OUTLETS

63rd & Halsted
Grand & Central Park

In Chicago Suburbs

Addison, Illinois
Elmwood Park, Illinois
Hillside, Illinois
Markham, Illinois
Mt. Prospect, Illinois
Niles, Illinois
Park Forest, Illinois

Elsewhere in Illinois, Indiana, Michigan, Wisconsin

Champaign, Illinois
Danville, Illinois
Decatur, Illinois
Joliet, Illinois
Rockford, Illinois
Springfield, Illinois
Waukegan, Illinois
Gary, Indiana
Hammond, Indiana
Mishawaka, Indiana
Benton Harbor, Michigan
Racine, Wisconsin

Wasson's Stores In Indianapolis, Indiana

Monument Circle
Eastgate Shopping Center
Eagledale Shopping Center
Meadows Shopping Center

Elsewhere in Indiana

Anderson, Indiana
Bloomington, Indiana
Kokomo, Indiana

Furniture Showroom

Home Centers

Chicago, Illinois
Decatur, Illinois
Downers Grove, Illinois
Rockford, Illinois (Spring 1974)
Mishawaka, Indiana

Home Improvement

Do-It Yourself Stores

Downers Grove, Illinois

